CR 06 749

GRK:JGM:jgm
F.#2006R02059

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA

- against -

EDWARD A. HEIL,

Defendant.

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I N D I C T M E N T

Cr. No. _____ SPATT, J.
(T. 15, U.S.C., §§ 78j(b), 78m(a) and 78ff; T. 18, U.S.C., §§ 371, 981(a)(1)(C), 2 and 3551 et seq.; T. 21, U.S.C., § 853(p); T. 28, U.S.C., § 2461(c))

THE GRAND JURY CHARGES:

INTRODUCTION

At all times relevant to this Indictment, unless otherwise indicated:

I. Background

A. The Company

1. eSAFETYWORLD, Inc. ("eSafety") was a Nevada corporation headquartered and with its principal place of business in Bohemia, New York. eSafety was engaged in the sale and distribution of industrial safety, laboratory supply and first aid products. eSafety also provided general business consulting services to other companies, including consulting services related to initial public stock offerings.

2. eSafety's stock was publicly traded on the

National Association of Securities Dealers Automated Quotation System ("NASDAQ") SmallCap Market exchange, under the ticker symbol "SFTY," until October 22, 2001, when NASDAQ halted trading in eSafety stock. On or about December 13, 2001, trading in eSafety stock resumed on the "over-the-counter" market.

B. The Defendant

3. The defendant EDWARD A. HEIL was the President, Chairman of the Board of Directors, and Chief Executive Officer ("C.E.O.") of eSafety. HEIL, a Certified Public Accountant since 1973, was responsible for setting policy and overseeing the general operations of eSafety.

C. Certain Relevant Accounting Principles

4. As a public company, eSafety was required to comply with the rules and regulations of the Securities and Exchange Commission ("SEC"). The SEC's rules and regulations were designed to protect members of the investing public by, among other things, ensuring that a company's financial information was accurately recorded and disclosed to the investing public.

5. Under the SEC's rules and regulations, eSafety and its officers were required to: (a) make and keep books, records and accounts that, in reasonable detail, fairly and accurately reflected the company's business transactions, including its revenues and expenses; (b) devise and maintain a system of

internal accounting controls sufficient to provide reasonable assurance that the company's transactions were recorded as necessary to permit preparation of financial statements in conformity with Generally Accepted Accounting Principles ("GAAP"); and (c) file with the SEC quarterly reports (on Form 10-QSB) and annual reports (on Form 10-KSB) that included financial statements that accurately presented eSafety's financial condition and the results of its business operations in accordance with GAAP.

II. The Securities Fraud Scheme

6. The defendant EDWARD A. HEIL, together with others, devised and carried out a scheme designed to defraud the investing public by: (a) manipulating the market for eSafety stock through stock purchases that were secretly funded by eSafety; (b) recognizing and reporting non-existent revenue, thereby inflating eSafety's earnings; and (c) issuing false press releases regarding eSafety's development of a "revolutionary" product that would prevent the spread of the deadly bacteria anthrax. The goal of the scheme was to inflate the stock price of eSafety, and thereby enrich HEIL and his co-conspirators, who held substantial amounts of eSafety stock. HEIL also falsified SEC reports and eSafety records, and testified falsely in depositions before the SEC, in order to conceal the fraud from investors and regulators.

A. Market Manipulation

7. In or about October 2000, the price of eSafety's stock began to drop, and it approached $1 per share. Because NASDAQ required that the price of stock traded on the SmallCap Market exchange remain above $1, the defendant EDWARD A. HEIL became concerned that eSafety might be delisted, or removed, from the NASDAQ. Delisting would have forced eSafety stock into the "over-the-counter" market, commonly known as the "Pink Sheets." Delisting also would likely have depressed eSafety's stock price, since delisting would have caused eSafety to lose the credibility associated with a NASDAQ listing. In addition, there is far less trading activity in stocks sold in the over-the-counter market than there is in stocks traded on the NASDAQ.

8. In order to prevent eSafety's share price from dropping below $1, the defendant EDWARD A. HEIL enlisted John Doe #1, a co-conspirator whose identity is known to the Grand Jury, to purchase shares of eSafety stock on the open market. HEIL agreed to reimburse John Doe #1's stock purchases with funds from eSafety bank accounts controlled by HEIL. Pursuant to this agreement, either HEIL or John Doe #2, an executive of eSafety and a co-conspirator whose identity is known to the Grand Jury, contacted John Doe #1 and directed him to purchase a specific number of shares of eSafety stock. The brokerage account John

Doe #1 used to purchase eSafety stock was in the name of Monetary Advancement International, a company which he controlled. Initially, HEIL either advanced funds to John Doe #1 or reimbursed John Doe #1 for these purchases by transferring funds or writing checks to Monetary Advancement International.

9. In or about March 2001, the defendant EDWARD A. HEIL and John Doe #2 established a company called Harbor Ridge Communications, Inc. ("Harbor Ridge"). HEIL recruited John Doe #1 to run Harbor Ridge and used eSafety funds to finance its operations. The purported business purpose of Harbor Ridge was to promote the stock of companies that eSafety assisted in going public. In practice, however, Harbor Ridge only promoted eSafety stock. Using eSafety funds provided by HEIL, John Doe #1 hired stock promoters who made phone calls to brokers in an attempt to create interest in eSafety stock. The promoters were then compensated based on the volume of trading activity they generated in the stock. Once Harbor Ridge was created, HEIL reimbursed John Doe #1's purchases of eSafety stock by transferring funds from eSafety to Harbor Ridge, rather than to Monetary Advancement International.

10. From time to time John Doe #1 sold some of the shares of eSafety stock he had purchased, and he kept the proceeds as his compensation for his role in the scheme.

11. In working to prepare eSafety's 2001 Form 10-KSB,

an accountant from eSafety's independent auditor, whose identity is known to the Grand Jury, questioned the payments made by eSafety to Monetary Advancement International and Harbor Ridge, which at that point totaled approximately $473,288. The defendant EDWARD A. HEIL told the accountant that the funds were a loan to Harbor Ridge, created a letter purporting to verify the existence of such a loan, and directed John Doe #1 to sign the letter. HEIL then gave the verification letter to the accountant and the bogus loan was reported as an asset of eSafety in the financial statements filed with eSafety's 2001 Form 10-KSB. That report, filed with the SEC on October 29, 2001, stated:

> Harbor Ridge Communications, Inc. - We have invested $473,288 loans [SIC] to Harbor Ridge, a privately-held public relations firm specializing in services to emerging public companies. The terms of the investment, which is convertible at our option into 50% of Harbor Ridge's common stock, have not yet been finalized. We believe that Harbor Ridge has an attractive business strategy which we currently are attempting to see implemented. In addition Harbor Ridge is expected to perform services for our consulting clients that become public companies. If we convert our loan to equity, two of our directors will become directors of Harbor Ridge.

12. In fact, as the defendant EDWARD A. HEIL well knew, the funds described in eSafety's 2001 Form 10-KSB as a loan to Harbor Ridge were actually used to finance purchases of eSafety stock made at the direction of HEIL and John Doe #2, and to pay expenses related to Harbor Ridge's promotion of eSafety

stock. There was no obligation on the part of any person or entity to repay the funds, and no reasonable likelihood that Harbor Ridge could repay them.

13. The defendant EDWARD A. HEIL and John Doe #2 continued to conceal the true nature of the funds advanced to John Doe #1 in reports filed with the SEC. Although Harbor Ridge ceased operations at the end of 2001, and had virtually no assets or income from which to re-pay eSafety, eSafety's Form 10-QSB for the fiscal quarter that ended September 30, 2001, filed on November 14, 2001, again reported that the bogus loan to Harbor Ridge, at that point in the amount of $545,338, was an asset of eSafety. The Form 10-QSB further falsely reported that eSafety had "agreed to convert $200,000 of the principal balance of this loan [to Harbor Ridge] into a 19.9% equity interest in Harbor Ridge and the remainder into a two year loan with interest payable at the prevailing prime lending rate." This statement was repeated in eSafety's Form 10-QSB for the fiscal quarter that ended December 31, 2001. eSafety's Form 10-QSB for the fiscal quarter that ended March 31, 2002, filed on May 15, 2002, falsely reported:

> The Company is currently negotiating to modify the terms of this loan and is considering converting all or a portion of the loan into equity. If it converts 100% of the principal balance into equity it will be entitled to a 50% ownership interest. A final decision will be made prior to June 30, 2002.

14. eSafety never received repayment of the funds advanced to Harbor Ridge and never asked for or received any common stock of Harbor Ridge. Rather, in Fall 2001, the defendant EDWARD A. HEIL told John Doe #1 that he could keep the shares of eSafety stock that he had purchased at HEIL's direction and that remained in John Doe #1's brokerage accounts. In eSafety's 2002 Form 10-KSB, filed with the SEC on October 15, 2002, the company stated that the "loan" to Harbor Ridge was not collectible. eSafety continued to deceive investors about the nature of the payments and the reason why they could not be collected. eSafety no longer described the moneys advanced to Harbor Ridge as a loan, but simply as an "investment" in Harbor Ridge, and claimed that the reason the funds could not be recouped was that eSafety decided to sever its ties to Harbor Ridge. The report stated:

> During the year ended June 30, 2002, the Company reassessed its strategies, objectives and resources and opted to cease involvement with entities or investments that were associated with certain aspects of its consulting initiative because the Company believed that it no longer possessed the resources to pursue those efforts. Accordingly, it fully reserved for its investment in Harbor Ridge Communications, Inc. and a broker dealer. This resulted in a net charge of $545,338, which is included in the caption "Amortization and impairment" in the accompanying Statements of Operations.

15. This explanation was false. As the defendant EDWARD A. HEIL well knew, the funds were not then and never were recoverable because they had been expended to manipulate the market price of eSafety stock through secret stock purchases and stock promotion activity.

B. Recognition of Non-existent Revenue

16. Shortly after its formation, eSafety announced that, in addition to marketing safety products, the company would also provide consulting services to other businesses. eSafety's 2000 Form 10-KSB stated:

> In September 2000 we announced that we would leverage the financial experience and contacts of our officers, particularly Messrs. Heil and Jenkins, to provide consulting and incubator-like services to promising companies. In most cases we expect to receive equity positions in these companies. We do not intend to make cash investments in these companies or structure any investment in a way that will result in us being classified as an investment company under the Investment Company Act of 1940. We may distribute some portion of these equity participations in the form of dividends to our shareholders.

17. In practice, eSafety's consulting business was a sham, used only to fraudulently boost eSafety's reported revenue. eSafety never received any actual revenue from its consulting business. Almost all of eSafety's consulting clients were companies either created, owned or controlled by the defendant

EDWARD A. HEIL, his family, John Doe #2 or other eSafety executives and officials. Many were little more than corporate shells. Some had no place of business, and listed eSafety's offices as their business address in corporate records. Several were not even incorporated. Most of eSafety's consulting clients never actually engaged in any significant business operations and none of them ever sold stock on any public exchange.

18. Nevertheless, the defendant EDWARD A. HEIL caused eSafety to recognize and report hundreds of thousands of dollars of non-existent revenue from these companies for consulting services allegedly provided to them. In doing so, HEIL materially inflated eSafety's earnings for the first three fiscal quarters of 2001, as reported to the investing public on eSafety's Forms 10-QSB. HEIL's recognition and reporting of revenue allegedly earned but plainly uncollectible was in violation of GAAP, which requires that before revenue may be recognized it must be earned and collectibility must be reasonably assured.

19. For example, one of eSAfety's consulting "clients" was AMP Productions ("AMP"). HEIL and John Doe #2 owned 44% of AMP's stock. Jane Doe, whose identity is known to the Grand Jury, was a member of HEIL's family and the Vice President of eSafety, while also acting as AMP's Vice President and sitting on AMP's Board of Directors. AMP listed the address of eSafety as

its principal place of business. In 2001, eSafety recorded $150,000 in revenue for services provided to AMP; these services consisted primarily of drafting AMP's SEC registration documents. According to one registration document filed by AMP with the SEC, AMP intended to produce concerts at various venues in the United States. However, AMP reported that as of May 31, 2001, it had engaged in no revenue producing business activity since its incorporation, and had "no tangible net worth," no line of credit, and no full time employees. eSafety never received any actual compensation from AMP.

20. Another of eSafety's consulting "clients" was Sunrise Computer Training, Inc. ("Sunrise"). In fiscal year 2001, eSafety recognized $40,000 in consulting revenue from Sunrise. According to a letter provided to the SEC by John Doe #2, he and John Doe #3, whose identity is known to the Grand Jury, "explored the concept of initiating a computer training business under the name Sunrise Computer Training" but Sunrise "never existed as an entity." According to the letter written by John Doe #2, although Sunrise "agreed to engage" eSafety as a consultant, Sunrise "was abandoned as a venture" soon thereafter. Sunrise had "no articles of incorporation, organization, subscription agreements, certificates, board minutes, stockholder minutes or any other formal documentation." Despite recognizing $40,000 in revenue during the fiscal year 2001 based on

consulting services allegedly provided to Sunrise, eSafety never received any actual compensation from Sunrise.

21. eSafety's bogus consulting revenue was reported to the investing public in eSafety's Forms 10-QSB filed with the SEC. The fictitious consulting revenue comprised a substantial portion of eSafety's total reported revenue during much of fiscal year 2001. In the fiscal quarter that ended March 31, 2001, eSafety reported total revenue of $374,152 in its Form 10-QSB. Of that amount, $240,000, or approximately 64 percent, was non-existent consulting revenue.

22. Accountants from eSafety's independent auditors reviewed eSafety's recognition of consulting revenue prior to the filing of eSafety's annual report on Form 10-KSB for the fiscal year 2001. The auditors determined that the collectibility of eSafety's consulting revenue could not be reasonably assured, and that the revenue thus was not recognizable under GAAP. The auditors accordingly insisted that eSafety remove the consulting revenue from the company's financial statements. The defendant EDWARD A. HEIL refused to accept the auditors' determination, and continued to insist on recognizing and reporting the bogus revenue in eSafety's Form 10-KSB. According to HEIL, because the client companies had the option of paying the consulting fees in shares of their stock, the revenue was collectible. However, since these companies generally had no business activities and

their stock did not trade on any market, eSafety's auditors found that their stock had no determinable value. Because this dispute prevented eSafety from filing its annual report on Form 10-KSB by the deadline of September 28, 2001, HEIL and John Doe #2 filed a Notification of Late Filing on Form 12b-25 with the SEC on September 28, 2001. This document, drafted by John Doe #2, falsely stated that the reason for the delayed filing was that eSafety's "auditor is located in Manhattan and their activity was disrupted by the recent tragedy," referring to the attack on the World Trade Center of September 11, 2001. The document also stated that eSafety "anticipates reporting revenues of approximately $1,260,000" for the fiscal year ended June 30, 2001. In fact, $880,000 of the $1.26 million reported by eSafety consisted of bogus consulting revenue which the auditors had informed HEIL and John Doe #2 could not properly be recognized.

23. When the defendant EDWARD A. HEIL, in defiance of the auditors' advice, continued in his refusal to remove the bogus consulting revenue from eSafety's financial statement, the auditors sent eSafety a resignation letter. Only after receiving the resignation letter did HEIL finally agree to remove the bogus revenue from eSafety's financial statements. Once HEIL notified the auditors of his decision, the auditors withdrew their resignation letter.

24. When eSafety filed its annual report on Form 10-KSB for the fiscal year 2001, which was prepared by the defendant EDWARD A. HEIL and others, the bogus consulting revenue was not included. However, eSafety failed to notify investors that its auditors had resigned, why they had resigned, or that the resignation was withdrawn. eSafety did not explain to investors why the revenue reported in their annual report on Form 10-KSB was $880,000 less than had been anticipated in the Notification of Late Filing on Form 12b-25 filed just one month earlier, other than stating that the company had "elected a financial policy of not recognizing income on consulting projects until the shares are fully earned." In addition, eSafety failed to restate any of the three quarterly reports on Forms 10-QSB for the first three quarters of 2001, each of which materially and fraudulently overstated eSafety's revenue and earnings by including the bogus consulting revenue described above.

25. When eSafety's financial statements were revised to remove the non-existent consulting revenue described above, costs that eSafety paid during fiscal year 2001 for management of the company were improperly deferred to fiscal year 2002. According to the Form 10-KSB, this change was purportedly due to the fact that these expenses related to the consulting services described above, and since eSafety was not recognizing the revenue allegedly due from these services in 2001, but expected

to be compensated and to recognize the consulting revenue in 2002, the expenses incurred in producing the consulting revenue could be deferred to 2002. In fact, the defendant EDWARD A. HEIL included over $150,000 of ordinary administrative expenses not directly attributable to eSafety's consulting business in the deferred expenses. This deferral was in violation of GAAP. Moreover, as HEIL well knew, the consulting revenue would never be realized, and thus deferral of any expenses related to these revenue was fraudulent.

26. The improperly deferred costs totaled at least $150,000 and improperly deferring these costs reduced eSafety's reported loss for fiscal year 2001 by at least that amount.

C. False and Misleading Press Releases

27. In Fall 2001, a number of incidents occurred throughout the United States that involved the use of the mails to expose unwitting victims to anthrax, a deadly bacteria. It was widely believed that the incidents were terrorist attacks, and many Americans feared that there would be further anthrax attacks using the mails.

28. On October 19, 2001, before the stock market opened, the defendant EDWARD A. HEIL caused the issuance of a press release that he had drafted. The press release, which was

headlined "eSAFETYWORLD Announces New Product to Combat Anthrax Terror," claimed that eSafety,

> has developed a revolutionary product that will make opening mail safer by preventing the spread of anthrax spores or other contaminants into the air after an envelope or package has been opened. With proper use a person opening a contaminated envelope will also be protected. This new product, which will be simple to use, will be priced for use in commercial mailrooms and the home. The product will be available for sale in approximately two weeks and will probably sell for less than $500.

29. The price of eSafety's stock at the close of trading on Thursday, October 18, 2001, the last day of trading before the issuance of the October 19 press release, was $0.62, and the trading volume was less than 20,000 shares. On Friday, October 19, 2001, the day of the press release, over 6 million shares of eSafety stock changed hands and the price rose as high as $3.46 per share, closing at $3.15 per share.

30. In fact, the press release was little more than an attempt to exploit public fear of anthrax in order to boost the price of eSafety stock. eSafety had not "developed" a product of the type described in the October 19, 2001 press release. Rather, executives of eSafety first discussed the idea of a new mail safety device on the night of October 18, 2001, hours before the defendant EDWARD A. HEIL drafted the press release. The only development or testing that occurred consisted of conversations

between eSafety executives and a manufacturing company that produced products for eSafety, and some mathematical calculations. No prototype of such a device was in existence, no schematic of it was available, no patents had been applied for, no contracts for production of the device had been entered into, and the anticipated manufacturer of the device had not agreed to any price structure.

31. Nor was the concept of an airtight glove box "revolutionary," as eSafety's press release claimed. Numerous products existed that allowed users, such as researchers handling hazardous substances, to insert their hands into gloves inside an airtight box while their bodies remained outside the box.

32. NASDAQ suspended trading in eSafety on Monday, October 22, 2001, the next day the stock market opened after eSafety's October 19 press release, and NASDAQ requested that eSafety demonstrate that the company could actually deliver the product they claimed to have developed.

33. On October 23, 2001, the defendant EDWARD A. HEIL caused eSafety to issue another press release, entitled "eSAFETYWORLD Announces Filing for Patent Protection on Its New MailSafe Containment Chamber and Trading In Its Stock Has Been Suspended." The press release claimed that eSafety had placed an initial order with the manufacturer for 10,000 units. In fact, no such order had been placed.

34. On October 24, 2001, the day after the October 23, 2001, press release, the defendant EDWARD A. HEIL directed an eSafety employee whose identity is known to the Grand Jury to issue a purchase order for 10,000 units. eSafety never took delivery of or paid for 10,000 units of the MailSafe product. In fact, as of October 2002, eSafety had sold only 31 units of MailSafe.

COUNT ONE
(Conspiracy to Commit Securities Fraud)

35. The allegations contained in paragraphs 1 through 34 are realleged and incorporated as though fully set forth in this paragraph.

36. In or about and between September 2000 and April 2003, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendant EDWARD A. HEIL, together with John Doe #1, John Doe #2 and others, did knowingly and willfully, directly and indirectly, conspire:

a. to commit fraud in connection with the purchase and sales of securities issued by eSafety, in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5;

b. to make and cause to be made false and misleading statements of material fact in applications, reports and documents required to be filed under the Securities Exchange

Act of 1934 and the rules and regulations thereunder, in violation of Title 15, United States Code, Section 78ff; and

c. to falsify and cause to be falsified eSafety's books, records, and accounts, the making and keeping of which was required by Title 15, United States Code, Section 78m(b)(2)(A) and Title 17, Code of Federal Regulations, Section 240.13b2-1, in violation of Title 15, United States Code, Sections 78m(b)(5) and 78ff.

37. In furtherance of the conspiracy and to effect its objectives, within the Eastern District of New York and elsewhere, the defendant EDWARD A. HEIL, together with John Doe #1, John Doe #2 and others, committed and caused to be committed, among others, the following:

OVERT ACTS

a. On or about October 3, 2000, the defendant EDWARD A. HEIL signed a check for $14,063 payable to Monetary Advancement International.

b. On or about October 4, 2000, the defendant EDWARD A. HEIL and John Doe #2 caused John Doe #1 to purchase 9,000 shares of eSafety stock at a cost of approximately $12,238.

c. On or about October 5, 2000, the defendant EDWARD A. HEIL and John Doe #2 caused John Doe #1 to purchase 1,000 shares of eSafety stock at a cost of approximately $1,837.

d. On or about October 11, 2000, the defendant EDWARD A. HEIL signed a check for $23,500 payable to Monetary Advancement International.

e. On or about October 13, 2000, the defendant EDWARD A. HEIL and John Doe #2 caused John Doe #1 to purchase 15,000 shares of eSafety stock at a cost of approximately $17,458.

f. On or about October 18, 2000, the defendant EDWARD A. HEIL and John Doe #2 caused John Doe #1 to purchase 3,500 shares of eSafety stock at a cost of approximately $3,675.

g. On or about November 14, 2000, the defendant EDWARD A. HEIL and John Doe #2 caused eSafety's Form 10-QSB for the fiscal quarter that ended on September 30, 2000 to be filed with the SEC.

h. On or about February 14, 2001, the defendant EDWARD A. HEIL and John Doe #2 caused eSafety's Form 10-QSB for the fiscal quarter that ended December 31, 2000 to be filed with the SEC.

i. On or about February 15, 2001, the defendant EDWARD A. HEIL and John Doe #2 caused John Doe #1 to purchase 5,000 shares of eSafety stock at a cost of approximately $5,250.

j. On or about February 16, 2001, the defendant EDWARD A. HEIL and John Doe #2 caused John Doe #1 to purchase 7,500 shares of eSafety stock at a cost of approximately $8,170.

k. On or about February 21, 2001, the defendant EDWARD A. HEIL signed a check for $20,800 payable to Monetary Advancement International.

l. On or about February 22, 2001, the defendant EDWARD A. HEIL and John Doe #2 caused John Doe #1 to purchase 13,500 shares of eSafety stock at a cost of approximately $13,911.

m. On or about February 28, 2001, the defendant EDWARD A. HEIL and John Doe #2 caused John Doe #1 to purchase 11,250 shares of eSafety stock at a cost of approximately $11,705.

n. On or about March 2, 2001, the defendant EDWARD A. HEIL and John Doe #2 caused John Doe #1 to purchase 13,000 shares of eSafety stock at a cost of approximately $13,396.

o. On or about March 2, 2001, the defendant EDWARD A. HEIL signed a check for $18,600 payable to Monetary Advancement International.

p. On or about March 16, 2001, the defendant EDWARD A. HEIL signed a check for $33,176, payable to Monetary Advancement International.

q. On or about March 27, 2001, the defendant EDWARD A. HEIL directed that $125,000 be transferred from eSafety's bank account at State Bank of Long Island to the account of Monetary Advancement International.

r. On or about March 29, 2001, the defendant EDWARD A. HEIL and John Doe #2 caused John Doe #1 to purchase 17,800 shares of eSafety stock at a cost of approximately $17,361.

s. On or about April 3, 2001, the defendant EDWARD A. HEIL and John Doe #2 caused John Doe #1 to purchase 15,000 shares of eSafety stock at a cost of approximately $13,656.

t. On or about April 4, 2001, the defendant EDWARD A. HEIL and John Doe #2 caused John Doe #1 to purchase 10,000 shares of eSafety stock at a cost of approximately $10,106.

u. On or about April 5, 2001, the defendant EDWARD A. HEIL and John Doe #2 caused John Doe #1 to purchase 35,000 shares of eSafety stock at a cost of approximately $34,968.

v. On or about April 6, 2001, the defendant EDWARD A. HEIL signed or caused his signature to be affixed to a Harbor Ridge Communications Inc. Corporate Resolution and Banking Agreement between State Bank of Long Island and Harbor Ridge Communications Inc.

w. On or about May 14, 2001, the defendant EDWARD A. HEIL and John Doe #2 caused eSafety's Form 10-QSB for the fiscal quarter that ended March 31, 2001 to be filed with the SEC.

x. On or about September 28, 2001, John Doe #2 prepared a Notification of Late Filing on Form 12b-25.

y. On or about September 28, 2001, the defendant EDWARD A. HEIL and John Doe #2 caused a Notification of Late Filing on Form 12b-25 to be filed.

z. On or about October 19, 2001, the defendant EDWARD A. HEIL caused a press release to be issued.

aa. On or about October 23, 2001, the defendant EDWARD A. HEIL caused a press release to be issued.

bb. On or about October 29, 2001, the defendant EDWARD A. HEIL and John Doe #2 caused eSafety's Form 10-KSB for the fiscal year that ended June 30, 2001 to be filed with the SEC.

cc. On or about November 14, 2001, the defendant EDWARD A. HEIL and John Doe #2 caused eSafety's Form 10-QSB for the fiscal quarter that ended September 30, 2001 to be filed with the SEC.

dd. On or about December 18, 2001, John Doe #1 sold 2,000 shares of eSafety stock for proceeds of approximately $1,418.

ee. On or about December 19, 2001, John Doe #1 sold 2,000 shares of eSafety stock for proceeds of approximately $958.

ff. On or about December 20, 2001, John Doe #1 sold 10,000 shares of eSafety stock for proceeds of approximately $5,889.

gg. On or about December 24, 2001, John Doe #1 sold 3,500 shares of eSafety stock for proceeds of approximately $2,260.

hh. On or about February 1, 2002, the defendant EDWARD A. HEIL was deposed under oath.

ii. On or about February 20, 2002, the defendant EDWARD A. HEIL and John Doe #2 caused eSafety's Form 10-QSB for the fiscal quarter that ended December 31, 2001 to be filed with the SEC.

jj. On or about April 16, 2002, John Doe #2 was deposed under oath.

kk. On or about May 15, 2002, the defendant EDWARD A. HEIL and John Doe #2 caused eSafety's Form 10-QSB for the fiscal quarter that ended March 31, 2002 to be filed with the SEC.

ll. On or about October 15, 2002, the defendant EDWARD A. HEIL and John Doe #2 caused eSafety's Form 10-KSB for the fiscal year that ended June 30, 2002, to be filed with the SEC.

mm. On or about April 2, 2003, the defendant EDWARD A. HEIL was deposed under oath.

(Title 18, United States Code, Sections 371 and 3551 et seq.)

COUNT TWO
(Securities Fraud)

38. The allegations contained in paragraphs 1 through 34 and 37 are repeated and incorporated as though fully set forth in this paragraph.

39. In or about and between September 2000 and April 2003, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendant EDWARD A. HEIL, together with John Doe #1, John Doe #2 and others, did

knowingly and willfully, directly and indirectly, use and employ manipulative and deceptive devices and contrivances in violation of Rule 10b-5 of the Rules and Regulations of the SEC (Title 17, Code of Federal Regulations, Section 240.10b-5), in that the defendant, together with others, did knowingly and willfully, directly and indirectly, (a) employ devices, schemes, and artifices to defraud; (b) make untrue statements of material fact and omit to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engage in acts, practices, and courses of business which would and did operate as a fraud and deceit upon members of the investing public, in connection with purchases and sales of securities, and by use of the means and instrumentalities of interstate commerce and the mails.

(Title 15, United States Code, Sections 78j(b) and 78ff; Title 18, United States Code, Sections 2 and 3551 et seq.)

COUNTS THREE THROUGH SIX
(False SEC Filings)

40. The allegations contained in paragraphs 1 through 34 and 37 are realleged and incorporated as if fully set forth in this paragraph.

41. On or about the dates listed below, within the Eastern District of New York and elsewhere, the defendant EDWARD A. HEIL, together with John Doe #2 and others, did knowingly and

willfully make and cause to be made statements in reports and documents required to be filed with the SEC under the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder, which statements were false and misleading with respect to material facts in that the defendant EDWARD A. HEIL, together with others, submitted the false filings listed below to the SEC:

COUNT	FILING	APPROXIMATE DATE OF FILING
THREE	Form 10-QSB for eSAFETYWORLD for the Fiscal Quarter Ending September 30, 2001	November 14, 2001
FOUR	Form 10-QSB for eSAFETYWORLD for the Fiscal Quarter Ending December 31, 2001	February 20, 2002
FIVE	Form 10-QSB for eSAFETYWORLD for the Fiscal Quarter Ending March 31, 2002	May 15, 2002
SIX	Form 10-KSB for eSAFETYWORLD for the Fiscal Year Ending June 30, 2002	October 15, 2002

(Title 15, United States Code, Sections 78m(a) and 78ff; Title 18, United States Code, Sections 2 and 3551 et seq.)

CRIMINAL FORFEITURE ALLEGATION AS TO COUNTS ONE AND TWO

42. The United States hereby gives notice to the defendant charged in Counts One and Two that upon his conviction of either offense the government will seek forfeiture in accordance with Title 18, United States Code, Section

981(a)(1)(C) and Title 28, United States Code, Section 2461(c), which require any person convicted of such offenses to forfeit any property constituting or derived from proceeds traceable to such offenses, including, but not limited to, a sum of money equal to at least approximately $350,000 in United States currency.

43. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

a. cannot be located upon the exercise of due diligence;

b. has been transferred or sold to, or deposited with, a third party;

c. has been placed beyond the jurisdiction of the court;

d. has been substantially diminished in value; or

e. has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c), to seek forfeiture of any

other property of the defendant up to the value of the forfeitable property described in this forfeiture allegation.

(Title 28, United States Code, Section 2461(c); Title 18, United States Code, Section 981(a)(1)(C); Title 21, United States Code, Section 853(p))

A TRUE BILL

FOREPERSON

ROSLYNN R. MAUSKOPF
UNITED STATES ATTORNEY
EASTERN DISTRICT OF NEW YORK

BY:
ACTING UNITED STATES ATTORNEY
PURSUANT TO 28 C.F.R. 0.136

SIR:

PLEASE TAKE NOTICE that the within will be presented for settlement and signature to the Clerk of the United States District Court in his office at the U.S. Courthouse, 610 Federal Plaza, Central Islip, New York, on the ___ day of_____, 20_, at 10:30 o'clock in the forenoon.

Dated: Central Islip, New York
_____, 20_____

_____

United States Attorney,
Attorney for _____

To:

_____
_____
_____

Attorney for _____

SIR:

PLEASE TAKE NOTICE that the within is a true copy of _____ duly entered herein on the _ day of _____
_____, in the office of the Clerk of the Eastern District of New York,

Dated: Central Islip, New York
_____, 20_____

United States Attorney,
Attorney for _____

To:

_____
_____
_____
_____

Attorney for _____

Criminal Action No.

_____

UNITED STATES DISTRICT COURT
Eastern District of New York

UNITED STATES OF AMERICA

- against-

EDWARD A. HEIL,

Defendant.

INDICTMENT

(T. 15, U.S.C., §§ 78j(b), 78m(a) and 78ff; T. 18, U.S.C., §§ 371, 981(a)(1) (C), 2 and 3551 et seq.; T. 21, U.S.C., § 853(p); T. 28, U.S.C., § 2461(c))

a true bill.

_____
Foreman

Filed in open court this_____day of
_____A.D._____

_____
Clerk

Bail, $_____

_____
JOHN MARTIN
Assistant U.S. Attorney 631-715-7870